

FISCAL YEAR 2014  
SUMMARY OF  
VERMONT HOSPITAL BUDGETS

PRELIMINARY FINDINGS  
GREEN MOUNTAIN CARE BOARD

JULY 25, 2013

# SUMMARY OF FY 2014 VERMONT HOSPITAL BUDGETS

## Introduction

- This document describes preliminary information about the FY 2014 hospital budget submissions. The information will be examined in more detail over the coming weeks.
- The Green Mountain Care Board (GMCB) will have a public hearing with each individual hospital August 27th-29th. Hospital budget information and specific hospital budget orders will be posted on our website at <http://gmcboard.vermont.gov/HospitalBudgets>
- To provide comment please go to the GMCB website here: <http://gmcboard.vermont.gov/publiccomments>
- If you have questions about this report or if you would like more detail, please contact Michael Davis, Janeen Morrison, or Lori Perry at the GMCB (802) 828-2177.

# AGENDA

- Timelines
- Budget Policies
- Hospital Budget System Summary
- Next steps
- Questions?

# KEY DATES & TIMELINES

## **July 25: Summary system overview**

### Other key documents

#### **Summary system profile and trends**

Provides similar measures grouped for all hospitals

Provides measures over a series of years

#### **Individual hospital narratives**

**August**

**Individual Hospital Budget staff reports**

**August 27-29**

**Hospital Budget Hearings: detailed schedule available here:**

<http://gmcboard.vermont.gov/sites/gmcboard/files/B14HearingCalendar2.pdf>

**Sept 16**

**GMCB establishes budgets**

**October 1**

**GMCB provides written decisions to hospitals**

**Ongoing**

**Public & hospital testimony**

Identifies strategic issues, unique perspectives

Maintains transparency

# GMCB FY14 BUDGET POLICIES

- Net patient revenue increase is limited to 3%
- The GMCB will examine whether health care investments are allowable for an additional 1% increase
- Hospitals will submit Community Needs Assessments
- New physician transfer/acquisition report requirements
- New process for enforcement of budgets once they have been approved:  
[http://gmcboard.vermont.gov/sites/gmcboard/files/B14\\_enforcement\\_concepts041113.pdf](http://gmcboard.vermont.gov/sites/gmcboard/files/B14_enforcement_concepts041113.pdf)

# **HOSPITAL BUDGET SYSTEM SUMMARY**

**\*All information provided is still under review  
and subject to change**

**\*Budget 2014 is requested and subject to approval**

# FY 2014 BUDGETS

## SUMMARY OF BUDGET 2013 TO BUDGET 2014 CHANGES

**The submitted FY 2014 budgets show a total system wide net patient revenue increase of 3.0%.**

- \* The total Net Patient Revenue increase is \$62.8 million

- \* \$62.8 million from Medicare \$12.1 million, Medicaid \$2.5 million, Commercial \$48.7 million, and decrease in disproportionate share (\$0.5 million)

**The average rate increase is estimated at 6.2%**

- \* Last year was 6.0%

**Overall operating income (surplus) budgeted at \$73.4 million**

- \* Surplus level is comparable to Budget 2013 approved levels

**Overall increase of 110 FTEs**

- \* Notable increase at FAHC and CVMC; notable decreases at RPMC, SVMC

**Capital Budgets at \$119 million**

- \* Planned CONs of another \$88 million

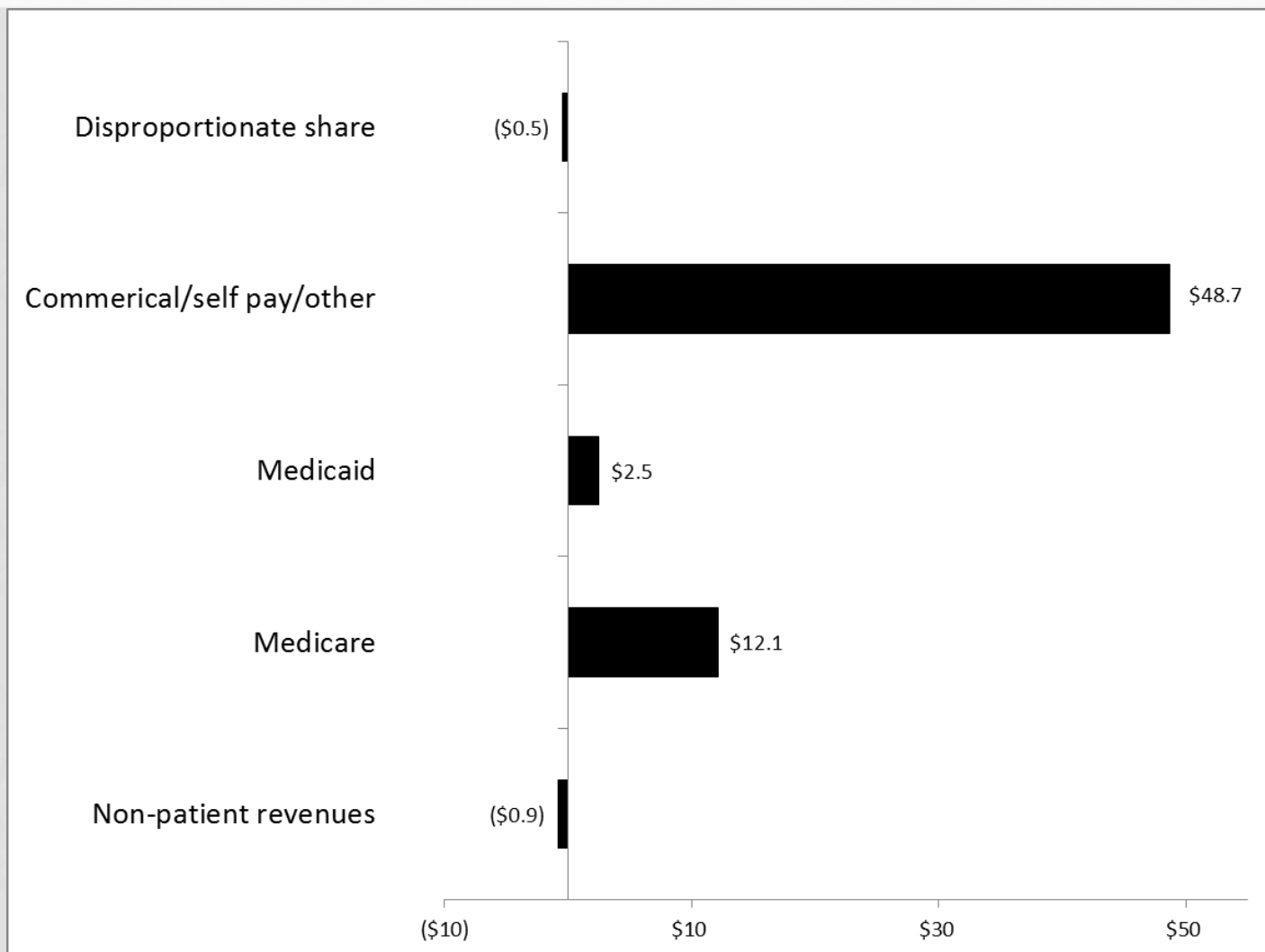


# HOSPITAL BUDGETS PROFIT AND LOSS STATEMENT

	2012 Actual	2013 Budget	2013 Projected	2014 Budget	2013 Budget- 2014 Budget	2013 Budget - 2014 Budget
GROSS PATIENT CARE REVENUE	4,080,922,591	4,474,835,081	4,390,374,334	4,692,947,030	218,111,949	4.9%
DISPROPORTIONATE SHARE PAYMEN	37,441,390	37,341,753	37,579,572	36,872,335	(469,418)	-1.3%
BAD DEBT	(78,076,825)	(81,627,652)	(78,923,830)	(83,888,871)	(2,261,220)	-2.8%
FREE CARE	(52,274,463)	(53,685,836)	(53,879,789)	(58,316,453)	(4,630,617)	-8.6%
DEDUCTIONS FROM REVENUE	(1,994,313,217)	(2,252,854,119)	(2,202,029,405)	(2,400,844,044)	(147,989,925)	-6.6%
NET PATIENT CARE REVENUE	1,993,699,477	2,124,009,228	2,093,120,882	2,186,769,997	62,760,769	3.0%
OTHER OPERATING REVENUE	76,320,431	102,670,491	102,781,929	101,816,715	(853,776)	-0.8%
TOTAL OPERATING REVENUE	2,070,019,908	2,226,679,719	2,195,902,811	2,288,586,712	61,906,993	2.8%
OPERATING EXPENSE						
SALARIES NON MD	677,453,000	703,950,998	699,001,542	719,329,375	15,378,377	2.2%
FRINGE BENEFITS NON MD	215,126,121	236,078,109	232,970,985	251,557,223	15,479,114	6.6%
FRINGE BENEFITS MD	42,140,234	46,194,869	44,597,442	41,313,784	(4,881,085)	-10.6%
PHYSICIAN FEES SALARIES						
CONTRACTS & FRINGES	263,922,727	290,037,661	291,923,876	307,256,209	17,218,548	5.9%
HEALTH CARE PROVIDER TAX	111,806,199	119,655,750	119,874,979	123,982,665	4,326,915	3.6%
DEPRECIATION AMORTIZATION	103,660,969	110,325,645	107,841,156	112,228,669	1,903,024	1.7%
INTEREST - SHORT TERM	89,172	285,000	673,575	844,719	559,719	196.4%
INTEREST - LONG TERM	26,698,611	25,904,962	25,384,166	23,574,924	(2,330,038)	-9.0%
OTHER OPERATING EXPENSE	583,537,460	618,436,584	618,717,105	635,094,249	16,657,666	2.7%
TOTAL OPERATING EXPENSE	2,024,434,493	2,150,869,579	2,140,984,826	2,215,181,818	64,312,239	3.0%
NET OPERATING INCOME (LOSS)	45,585,415	75,810,140	54,917,986	73,404,894	(2,405,246)	-3.2%
NON-OPERATING REVENUE	62,667,041	35,842,843	42,578,447	31,327,071	(4,515,772)	-12.6%
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	108,252,457	111,652,983	97,496,433	104,731,965	(6,921,019)	-6.2%



# NET REVENUE CHANGE BY PAYER AND OTHER SOURCES



# NET REVENUE INCREASE

## SOURCE OF NET REVENUE CHANGE

Net revenues are those revenues earned for providing services directly to patients and for operations such as meaningful use, parking, etc. The GMCB analysis will identify these changes across the system.

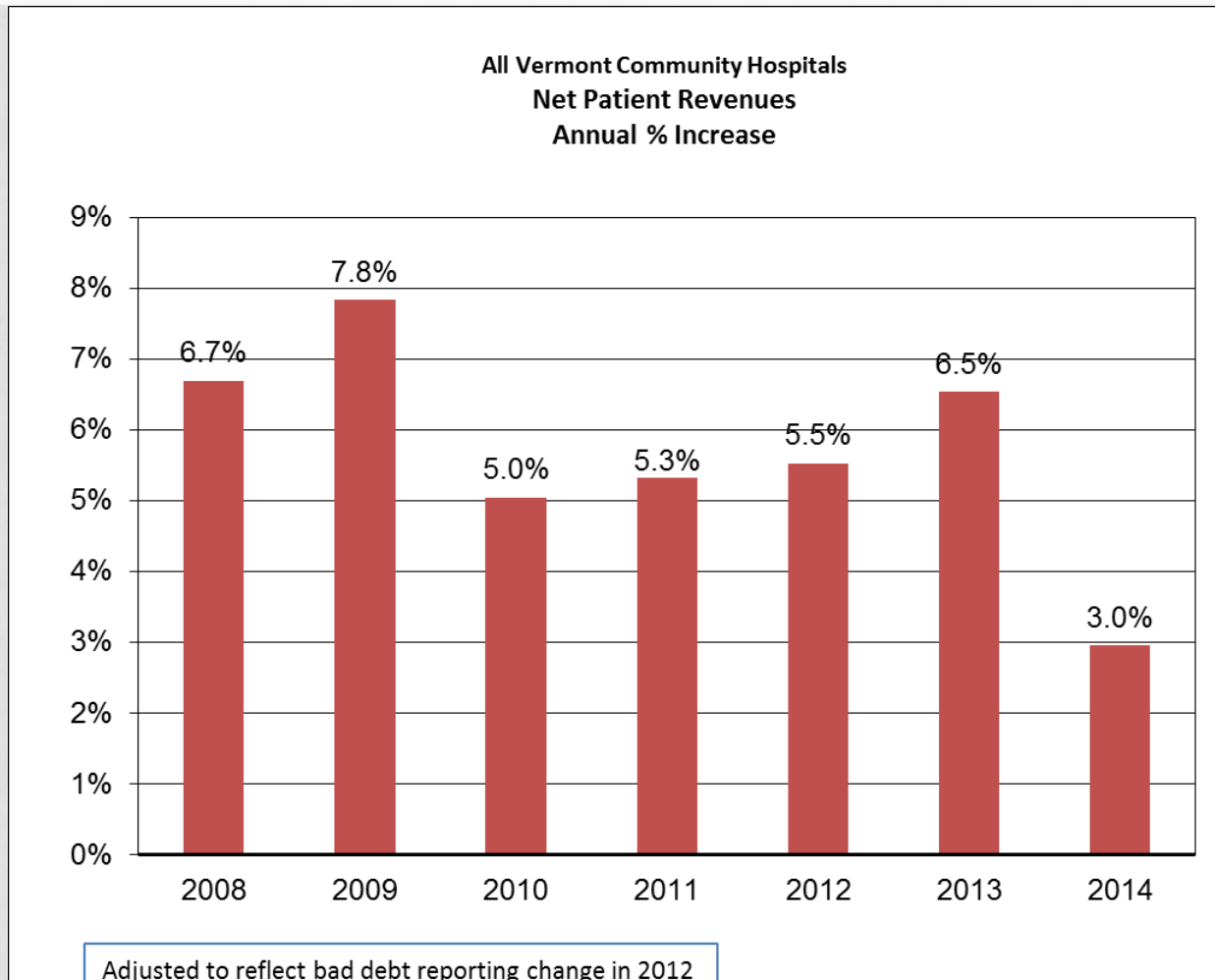
<b>Net patient revenue increase</b>	<b>\$ 62.8 million</b>
Earnings from utilization	\$ million (under review)
Earnings from rates	\$ million (under review)
Reimbursement changes	\$ million (under review)
<b>Non-patient revenues</b>	<b>-\$0.9 million</b>

# NET PATIENT REVENUE CHANGE REQUESTED

This chart shows the change in net patient revenue proposed by each Vermont hospital for the FY 14 budget when compared with approved FY 13 budgets.

Hospital	2012 Actual	2013 Budget	2013 Projected	2014 Budget	Change over Budget 2013	% Change
Brattleboro Memorial Hospital	\$66,309,861	\$65,889,613	\$65,170,892	\$69,957,064	\$4,067,451	6.2%
Central Vermont Medical Center	\$149,448,313	\$155,378,089	\$154,405,750	\$161,181,377	\$5,803,288	3.7%
Copley Hospital	\$51,398,678	\$56,335,433	\$52,241,509	\$57,795,625	\$1,460,192	2.6%
Fletcher Allen Health Care	\$954,237,065	\$1,014,716,512	\$1,014,716,512	\$1,063,141,724	\$48,425,212	4.8%
Gifford Medical Center	\$58,059,720	\$62,965,570	\$61,676,087	\$64,106,475	\$1,140,905	1.8%
Grace Cottage Hospital	\$15,504,501	\$18,722,593	\$15,114,919	\$16,560,535	-\$2,162,058	-11.5%
Mt. Ascutney Hospital & Health Ctr	\$41,550,916	\$46,919,921	\$45,542,694	\$47,310,853	\$390,932	0.8%
North Country Hospital	\$71,693,786	\$75,876,293	\$72,018,481	\$75,085,299	-\$790,994	-1.0%
Northeastern VT Regional Hospital	\$58,288,486	\$62,276,100	\$60,604,584	\$64,687,170	\$2,411,070	3.9%
Northwestern Medical Center	\$86,988,040	\$83,550,542	\$88,601,166	\$87,759,305	\$4,208,763	5.0%
Porter Medical Center	\$61,257,971	\$68,848,517	\$66,309,464	\$69,809,475	\$960,958	1.4%
Rutland Regional Medical Center	\$192,468,640	\$211,476,550	\$210,128,617	\$217,820,712	\$6,344,162	3.0%
Southwestern VT Medical Center	\$136,213,395	\$149,179,382	\$138,086,898	\$139,576,168	-\$9,603,214	-6.4%
Springfield Hospital	\$50,280,105	\$51,874,106	\$48,503,306	\$51,978,215	\$104,109	0.2%
System Total	\$1,993,699,477	\$2,124,009,221	\$2,093,120,880	\$2,186,769,997	\$62,760,776	3.0%

# GROWTH OF THE BUDGETS – NET PATIENT REVENUE



# RATES REQUESTED TO EARN NET PATIENT REVENUE

## Annual Rate Increase

Brattleboro Memorial Hospital  
 Central Vermont Medical Center  
 Copley Hospital  
 Fletcher Allen Health Care  
 Gifford Medical Center  
 Grace Cottage Hospital  
 Mt. Ascutney Hospital & Health Ctr  
 North Country Hospital  
 Northeastern VT Regional Hospital  
 Northwestern Medical Center  
 Porter Medical Center  
 Rutland Regional Medical Center  
 Southwestern VT Medical Center  
 Springfield Hospital  
 I Vermont Community Hospitals (R

Approved Rate	Approved Rate	Approved Rate	Submitted Rate	Average Annual Rate
2011	2012	2013	2014	2011-2014
6.0%	7.4%	5.2%	6.2%	6.2%
5.2%	6.0%	5.0%	7.9%	6.0%
5.5%	6.0%	3.0%	6.0%	5.1%
5.7%	5.9%	9.4%	4.5%	6.4%
5.8%	7.0%	6.1%	7.6%	6.6%
5.5%	10.6%	6.5%	6.0%	7.2%
6.5%	3.5%	7.0%	5.0%	5.5%
4.4%	5.1%	4.6%	8.0%	5.5%
4.8%	7.5%	6.5%	5.8%	6.2%
1.8%	6.3%	2.9%	4.6%	3.9%
6.5%	10.3%	5.0%	6.0%	7.0%
5.5%	9.8%	10.3%	4.8%	7.6%
6.0%	5.5%	6.8%	9.0%	6.8%
3.8%	5.8%	6.0%	6.0%	5.4%
5.2%	6.9%	6.0%	6.2%	6.1%

# HOSPITAL BUDGET GROWTH – CAPITAL PLANS

	2013B	2013P	2014B	2015 Plan	2016 Plan	2017 Plan
CONSTRUCTION IN PROGRESS	600,000	479,593	250,000	-	-	-
LAND & LAND IMPROVEMENTS	126,673	309,509	2,917,000	255,000	272,000	280,000
BUILDINGS & BUILDING IMPROVEMENTS	30,941,116	39,577,441	44,146,570	33,299,864	26,139,448	26,344,148
FIXED EQUIPMENT	4,326,619	4,862,526	6,879,727	5,405,902	3,109,392	4,094,536
MAJOR MOVABLE EQUIPMENT	69,480,587	74,054,010	65,441,750	72,119,322	66,935,273	70,583,352
OTHER	-	-	-	-	-	-
 TOTAL CAPITAL EXPENDITURES	 105,474,995	 119,283,079	 119,635,046	 111,080,088	 96,456,113	 101,302,036
 TOTAL CON ITEMS	 48,404,411	 26,811,423	 88,432,142	 163,651,920	 184,573,299	 112,870,799
 TOTAL CAP BUDGET AND PROJ CON	 153,879,406	 146,094,502	 208,067,188	 274,732,008	 281,029,412	 214,172,835



# CAPITAL BUDGET PLANS

## Capital Expenditures

	2013 Projection	2014 Budget	2015 Plan	2016 Plan	2017 Plan
Brattleboro Memorial Hospital	\$14,198,526	\$6,432,977	\$5,389,894	\$4,789,217	\$3,880,233
Central Vermont Medical Center	\$10,405,000	\$8,900,000	\$20,250,000	\$14,250,000	\$18,750,000
Copley Hospital	\$4,576,792	\$3,520,744	\$3,542,333	\$2,778,957	\$2,664,688
Fletcher Allen Health Care	\$46,993,082	\$47,879,095	\$40,999,923	\$44,599,500	\$44,800,000
Gifford Medical Center	\$6,716,792	\$4,513,416	\$3,349,529	\$4,690,900	\$5,683,400
Grace Cottage Hospital	\$350,424	\$643,942	\$234,730	\$236,474	\$222,484
Mt. Ascutney Hospital & Health Ctr	\$2,000,000	\$7,243,000	\$6,144,400	\$3,905,000	\$2,890,000
North Country Hospital	\$2,548,930	\$5,291,333	\$1,611,457	\$2,175,000	\$2,175,000
Northeastern VT Regional Hospital	\$2,750,000	\$4,782,900	\$5,050,000	\$5,350,000	\$4,400,000
Northwestern Medical Center	\$5,600,000	\$8,501,040	\$4,946,634	\$2,400,653	\$3,639,631
Porter Medical Center	\$1,328,662	\$3,000,000	\$2,794,520	\$535,968	\$1,452,156
Rutland Regional Medical Center	\$13,521,347	\$10,500,000	\$6,666,668	\$444,444	\$444,444
Southwestern VT Medical Center	\$5,500,000	\$6,750,000	\$7,000,000	\$7,000,000	\$7,000,000
Springfield Hospital	\$2,793,524	\$1,676,600	\$3,100,000	\$3,300,000	\$3,300,000
<b>Total</b>	<b>\$119,283,079</b>	<b>\$119,635,046</b>	<b>\$111,080,088</b>	<b>\$96,456,113</b>	<b>\$101,302,036</b>

## Certificate of Need Purchases

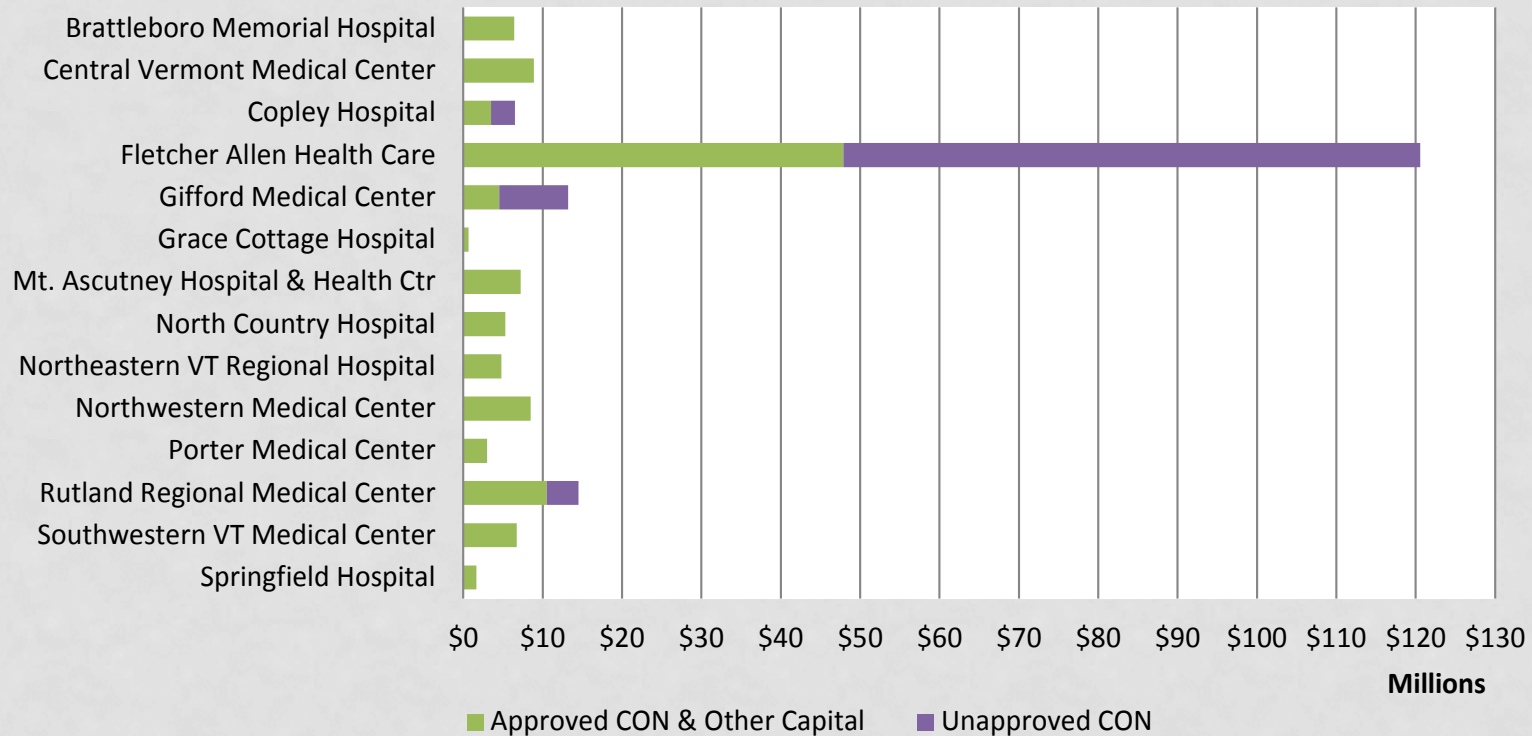
Brattleboro Memorial Hospital	\$0	\$0	\$0	\$0	\$9,180,000
Central Vermont Medical Center	\$0	\$0	\$1,250,000	\$6,500,000	\$7,250,000
Copley Hospital	\$100,000	\$3,000,000	\$6,000,000	\$2,000,000	\$0
Fletcher Allen Health Care	\$11,681,411	\$72,710,973	\$131,238,090	\$126,734,720	\$71,940,799
Gifford Medical Center	\$0	\$8,721,169	\$1,413,830	\$1,838,579	\$0
Grace Cottage Hospital	\$0	\$0	\$0	\$0	\$0
Mt. Ascutney Hospital & Health Ctr	\$0	\$0	\$0	\$0	\$0
North Country Hospital	\$0	\$0	\$0	\$0	\$0
Northeastern VT Regional Hospital	\$0	\$0	\$0	\$0	\$0
Northwestern Medical Center	\$0	\$0	\$6,250,000	\$15,500,000	\$6,000,000
Porter Medical Center	\$412,338	\$0	\$0	\$0	\$8,500,000
Rutland Regional Medical Center	\$5,617,674	\$4,000,000	\$10,000,000	\$22,000,000	\$0
Southwestern VT Medical Center	\$9,000,000	\$0	\$7,500,000	\$10,000,000	\$10,000,000
Springfield Hospital	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$26,811,423</b>	<b>\$88,432,142</b>	<b>\$163,651,920</b>	<b>\$184,573,299</b>	<b>\$112,870,799</b>



# CAPITAL BUDGETS

**FY 2014**

## **Amount of Capital & Unapproved CONs**



# KEY INDICATORS, TRENDS

As a system, we find that cash on hand is steady, debt is lower, overall utilization is lower, unit costs, non-MD staff, and capital are increasing, and productivity is mixed.

Type	Indicator	2012A	2013B	2013P	2014B	% Change 2013B-2014B
Liquidity	Days Cash On Hand	155.8	136.3	149.6	150.9	10.7%
Revenue	Operating Margin %	2.2%	3.4%	2.5%	3.2%	-5.8%
	Bad Debt %	1.9%	1.8%	1.8%	1.8%	-2.0%
	Free Care %	1.3%	1.2%	1.2%	1.2%	3.6%
Debt	Long Term Debt To Capitalization	38.2%	35.5%	35.6%	33.9%	-4.6%
	Age Of Plant	8.9	9.4	9.3	10.1	7.6%
	Capital Expenditures To Depreciation	77.0%	95.6%	110.6%	106.6%	11.5%
Utilization	Adjusted Admissions	183,236	180,625	173,805	175,636	-2.8%
	Admissions	47,017	47,751	46,101	46,937	-1.7%
	All Outpatient Visits	3,001,446	3,012,119	3,009,383	3,003,511	-0.3%
	Physician Office Visits	3,218,653	3,401,216	3,357,874	3,539,382	4.1%
Cost	Capital Cost % Of Total Expense	6.4%	6.3%	6.3%	6.2%	-2.8%
	Cost Per Adjusted Admission	\$11,048	\$11,908	\$12,318	\$12,612	5.9%
Productivity	Ftes Per 100 Adj Discharges	6.3	6.6	6.8	6.7	2.0%
	Overhead Expense W/ Fringe, As A % Of Total Operating Exp	25.8%	25.8%	25.8%	30.2%	17.0%

# NON-MD FULL TIME EQUIVALENTS

	2012 Actual	2013 Budget	2013 Projection	2014 Budget	Change B2013-B2014
Brattleboro Memorial Hospital	377	390	380	401	10
Central Vermont Medical Center	1,012	1,025	1,046	1,084	59
Copley Hospital	314	336	322	339	3
Fletcher Allen Health Care	5,357	5,510	5,510	5,792	283
Gifford Medical Center	411	423	422	422	-2
Grace Cottage Hospital	137	142	134	128	-15
Mt. Ascutney Hospital & Health Ctr	338	328	334	303	-25
North Country Hospital	457	477	465	456	-21
Northeastern VT Regional Hospital	366	369	382	387	18
Northwestern Medical Center	482	515	510	518	2
Porter Medical Center	392	405	408	418	12
Rutland Regional Medical Center	1,160	1,184	1,145	1,071	-113
Southwestern VT Medical Center	822	843	801	751	-92
Springfield Hospital	296	300	300	290	-10
<b>Total</b>	<b>11,922</b>	<b>12,249</b>	<b>12,157</b>	<b>12,359</b>	<b>110</b>

Fletcher Allen has been adjusted to include residents.

# FY 2014 BUDGETS – CRITICAL ACCESS HOSPITALS

See narratives at: <S:\AOA\GMCB\Reports\Hospital Budget Information\FY 2014\Narratives>

## Critical Access Hospitals

**Copley:** 2.6% increase in NPR. This increase includes a negotiated three year settlement with their nurses union. They have budgeted a decrease in inpatient utilization. Budget includes support of 8 bed state Psychiatric program but not with patient revenues.

**Gifford:** 1.8% increase in NPR. The budget has no change in non-MD FTEs. Cost increases are seen in physician staffing and benefits. Budget also includes some minimal operating costs related to "Senior Living Community."

**Grace Cottage:** (11.5%) reduction in NPR. This reflects the full impact of a 10% reduction in FTEs (14) that began in 2013. No major changes expected in reimbursement.

**Mt. Ascutney:** 0.8% increase in NPR. This is related to closing of their Nursing Home program and plans to partner with regional providers. Financial operations have been improving since February. Budget shows reduction of \$2 million in meaningful use funds.

**No. Country:** (1.0%) reduction in NPR. This budget reflects a B-B reduction of 22 staff to offset inflation and other staff wage increases. The change is due to lower utilizations that have sustained for 4 years. Capital investments to improve physician/patient management.

**NVRH:** 3.9% increase in NPR. This budget includes the annualized effect of the physician practice approved by the Board this spring. They also have funds related to health care reform – adjusting for those changes the hospital increase is 3%.

# FY 2014 BUDGETS – PROSPECTIVE PAYMENT (PPS) HOSPITALS

See narratives at <S:\AOA\GMCB\Reports\Hospital Budget Information\FY 2014\Narratives>

## Critical Access Hospitals (continued)

**Porter:** 1.4% increase in NPR. This budget includes 12 new FTEs about ½ that are related to Blueprint activities. Additional expenses related to wage inflation and health benefit costs. The low NPR increase is due in part to higher 340B and meaningful use funds. Overall financial operations have been improving since February.

**Springfield:** 0.2% increase in NPR. This budget is essentially status quo with few changes except utilization shifts. The hospital has not budgeted any inflation increases as it has embarked upon a savings program.

## PPS Hospitals

**BMH: 6.2% increase in NPR.** The \$4.1 million increase includes the recent acquisition of an Orthopedic practice effective 8/15/2013. They have also budgeted inflation and utilization increases related to the Wound Center program and the Blueprint program. There are 10 new FTEs and 6 new physicians over Budget 13 levels.

**CVMC: 3.7% increase in NPR.** The \$5.8 million increase reflects investments in three main areas, besides inflation and some utilization growth. These include costs for physicians, ICD 10, and hub and spoke program. There is also discussion about a number of activities in which they are engaged that are related to health care reform, including their collaboration with FAHC. Reform investments explain much of the increase over the 3%.



# FY 2014 BUDGETS – PROSPECTIVE PAYMENT (PPS) HOSPITALS

See narratives at: <S:\AOA\GMCB\Reports\Hospital Budget Information\FY 2014\Narratives>

## PPS Hospitals

**FAHC: 4.8% increase in NPR.** The budget increase of \$48 million includes Health Reform Investments of \$20.6 million. A detailed schedule is provided in the narrative. Key areas of budget growth are reflected in increased FTEs (283) and benefits, both non-MD staff and physicians. A number of major capital projects are planned to begin in 2014 and the next couple of years.

**NWMC: 5.0% increase in NPR.** The \$4.2 million increase includes both physician transfers and health care reform activities that explain the 2% (\$1.7 million) over the 3% target. The added physician utilization has been offset by lower projections in other areas. The hospital is ‘retooling’ as it prepares for health care reform.

**RRMC: 3.0% increase in NPR.** This \$6.3 million increase includes numerous offsetting changes occurring in their budget proposal. The changes include physician practice acquisitions, new programs such as the IP Psych unit (CON), Diagnostic Imaging Core, and an Opiate program, and wage and pension increases offset by a reduction in FTEs and reductions in other operating costs. Each of the programs are uniquely reimbursed, reflecting numerous shifts in revenue.

**SVMC: (6.4%) decrease in NPR.** The budget is actually decreasing \$9.6 million. This change reflects numerous offsetting events that occurred since the budget for 2013 was approved. These include the mix of physicians being hired, the addition of new programs, reductions in FTEs and the expense budget, and changes in compensation plans. SVMC indicates they are planning for expected reductions in revenues across the system.

# FY 2014 BUDGETS

## POTENTIAL ISSUES TO EXAMINE

Understanding of net patient revenue change

Understanding of payer revenue estimates

Identifying physician acquisitions, changes

Description of health care reform investments

Summary of Community Needs Assessments

Reconciliation of program, utilization, and FTE changes in each hospital

Capital budget and CON impacts on 2014 budgets

Analysis of assumptions for building their rate request

Analysis of key indicators and measures



# NEXT STEPS

- GMCB will accept/ review public comments
- GMCB will review individual budgets & narratives
- GMCB will review capital plans
- GMCB will discuss budget with hospitals
- GMCB will establish budgets for FY 2014 by Sept 16th

# DOCUMENTS

- To access GMCB reports and hospital budget information on the web:

<http://gmcboard.vermont.gov/hospitalbudgets>

- To provide public comment on the web:

<http://gmcboard.vermont.gov/contact-us>

- Email/Mail comments to: [Anna.Bassford@state.vt.us](mailto:Anna.Bassford@state.vt.us)

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# CONTACT INFO.

- If you have questions about this report or if you would like more detail, please contact Michael Davis, Janeen Morrison, or Lori Perry at the GMCB (802) 828-2177.

# END

